

BEFORE THE TENNESSEE STATE BOARD OF EQUALIZATION

IN RE: Bobby E. Sparks)
Parcel ID #121GB-00401B) Knox County
Commercial Property)
Tax Year 2007)

INITIAL DECISION AND ORDER

Statement of the Case

The subject property is presently valued as follows:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$215,000	\$142,700	\$357,700	\$143,080

An appeal has been filed on behalf of the property owner with the State Board of Equalization. The undersigned administrative judge conducted a hearing in this matter on October 23, 2007 in Knoxville, Tennessee. In attendance at the hearing were Bobby Sparks, the appellant, and Knox County Property Assessor's representatives Jim Beck and Ralph Watson.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Subject property consists of a 2,438 square foot office condominium located at 6000 Walden Drive in Knoxville, Tennessee. The taxpayer purchased subject property on April 12, 2006 for \$357,500.

The taxpayer contended that subject property should be valued at \$250,000. In support of this position, the taxpayer essentially argued that subject property has been appraised inequitably given the assessor's appraisals of other properties in the area. The taxpayer noted both the amount various parcels were appraised at as well as appraised values versus sales prices.

The assessor contended that subject property should be valued at \$357,500. In support of this position, the assessor argued that the taxpayer's purchase of subject property on April 12, 2006 for \$357,500 supports the current appraisal of subject property.

The basis of valuation as stated in Tennessee Code Annotated Section 67-5-601(a) is that "[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values . . ."

After having reviewed all the evidence in the case, the administrative judge finds that the subject property should be valued at \$357,500 as contended by the assessor of property. The administrative judge finds that the taxpayer's purchase of subject property for \$357,500 constitutes the best evidence of market value as of January 1, 2007, the relevant assessment date purchase to Tenn. Code Ann. § 67-5-504(a). Indeed, Mr. Sparks testified in response to

the administrative judge's query that he was "unsure" of subject property's market value. Respectfully, the administrative judge finds that the fair market value of subject property as of January 1, 2007 constitutes the relevant issue.

Since the taxpayer is appealing from the determination of the Knox County Board of Equalization, the burden of proof is on the taxpayer. See State Board of Equalization Rule 0600-1-.11(1) and *Big Fork Mining Company v. Tennessee Water Quality Control Board*, 620 S.W.2d 515 (Tenn. App. 1981).

The administrative judge finds that the taxpayer's equalization argument must be rejected. The administrative judge finds that the State Board of Equalization has historically adhered to a market value standard when setting values for property tax purposes. See *Appeals of Laurel Hills Apartments, et al.* (Davidson County, Tax Years 1981 and 1982, Final Decision and Order, April 10, 1984). Under this theory, an owner of property is entitled to "equalization" of its demonstrated market value by a ratio which reflects the overall level of appraisal in the jurisdiction for the tax year in controversy.¹ The State Board has repeatedly refused to accept the *appraised* values of purportedly comparable properties as sufficient proof of the *market* value of a property under appeal. For example, in *Stella L. Swope* (Davidson County, Tax Years 1993 and 1994), the Assessment Appeals Commission rejected such an argument reasoning as follows:

The assessor's recorded values for other properties may suffer from errors just as Ms. Swope has alleged for her assessment, and therefore the recorded values cannot be assumed to prove market value.

Final Decision and Order at 2.

The administrative judge would observe that even if the taxpayer's equalization argument could be considered, additional evidence would be necessary to substantiate his position. For example, Knox County reappraised in 2005. Thus, the two sales relied on by Mr. Sparks (#7 and #8) could not have been considered by the assessor since they occurred after January 1, 2005. Similarly, most of the "comparables" considered by Mr. Sparks are not office condominiums and contain larger buildings. Thus, Mr. Sparks has not compared "apples to apples."

ORDER

It is therefore ORDERED that the following value and assessment be adopted for tax year 2007:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$215,000	\$142,700	\$357,700	\$143,080

¹ See Tenn. Code Ann. §§ 67-5-1604-1606. Usually, in a year of reappraisal – whose very purpose is to appraise all properties in the taxing jurisdiction at their fair market values – the appraisal ratio is 1.0000 (100%). That is the situation here.

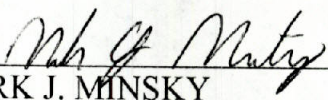
It is FURTHER ORDERED that any applicable hearing costs be assessed pursuant to Tenn. Code Ann. § 67-5-1501(d) and State Board of Equalization Rule 0600-1-.17.

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **“must be filed within thirty (30) days from the date the initial decision is sent.”** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **“identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order”**; or
2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review; or
3. A party may petition for a stay of effectiveness of this decision and order pursuant to Tenn. Code Ann. § 4-5-316 within seven (7) days of the entry of the order.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 31st day of October, 2007.



MARK J. MINSKY
ADMINISTRATIVE JUDGE
TENNESSEE DEPARTMENT OF STATE
ADMINISTRATIVE PROCEDURES DIVISION

c: Mr. Bobby E. Sparks
John R. Whitehead, Assessor of Property